

PUBLIC DISCLOSURE

November 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Gulf Bank
06011532

Gulf Shores, Alabama

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Gulf Bank, Gulf Shores, Alabama, prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of November 17, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's average loan-to-deposit ratio is more than reasonable given the bank's size and assessment area credit needs. Commercial and consumer home equity loans account for the greatest portion of the bank's loan activity. A substantial majority of the bank's loans are within the institution's assessment area. 100 percent of the samples of commercial (small business) and consumer (home equity) loans were in the assessment area. The geographic distribution of loans reflects a generally adequate dispersion throughout the bank's assessment area, and loan originations were distributed among borrowers of different income levels generally consistent with the assessment area's demographic composition. Based on available resources, lending levels seem to reflect a reasonable penetration of all segments of the assessment area. No CRA-related complaints were received since the previous examination, and a review of the bank's loan policy and procedures found the bank to be in compliance with the substantive provisions of antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

First Gulf Bank, formerly known as Gulf Bank, is a subsidiary of Alabama National Bancorporation, Birmingham, Alabama (ANB). The change in the bank's corporate title is the result of the acquisition of First Bank of Baldwin County, which was consummated August 11, 1997. As a result, the bank operates six offices in Baldwin County, including the main office, which was relocated from Orange Beach, Alabama, to Gulf Shores, Alabama. One branch office is located in each of the following cities: Bay Minette, Daphne, Foley, Orange Beach, and Robertsdale, Alabama. According to the September 30, 1997 Consolidated Reports of Condition and Income, the bank's assets were \$90.1 million, which reflects a \$37.9 million increase in assets for Gulf Bank during the quarter of the acquisition. No financial or legal impediments were identified that would hinder the bank in meeting the credit needs of the assessment area. The bank received a satisfactory CRA rating at its previous evaluation as of April 8, 1996.

The bank continues to offer a variety of credit products to meet the community's credit needs. Since the previous evaluation, the bank has added consumer home equity loans to its credit offerings. Although the bank concentrates most of its efforts on originating small business loans and consumer home equity loans, other types of credit, including residential real estate financing, are offered and extended. The types of credit products offered, as listed in the bank's public file, include real estate mortgages, consumer loans, and commercial loans. The bank also offers community development loans.

The composition of the loan portfolio according to the September 30, 1997 Consolidated Reports of Condition and Income is as follows:

DESCRIPTION OF INSTITUTION (CONTINUED)

LOAN TYPE	PERCENTAGE
Construction and development	7.2%
Secured by one- to four-family dwellings	24.4%
Other real estate:	
Farmland	0.4%
Multifamily	4.9%
Nonfarm nonresidential	24.2%
Commercial and industrial	29.1%
Loans to individuals	8.6%
All other	1.2%
Total	100.0%

As illustrated by the table above, a large portion of the bank's loan portfolio is made up of commercial and industrial loans. A significant number of the commercial and industrial loans are made to small businesses including some churches in the bank's assessment area. The total dollar percentage of the portfolio for nonfarm nonresidential real estate loans is comparable to the total dollar percentage for loans secured by one- to four-family dwellings. However, current loan production as indicated by the number of loans secured by one- to four-family dwellings, specifically home equity loans, exceeds the volume of loan activity in all other categories since the previous CRA evaluation.

DESCRIPTION OF FIRST GULF BANK'S ASSESSMENT AREA

The bank's assessment area was expanded since the previous evaluation to include all of Baldwin County, Alabama. Baldwin County is a part of the Mobile, Alabama Metropolitan Statistical Area (MSA) and has 21 census tracts (CTs). Two CTs (9.5 percent) are moderate-income, 15 (71.4 percent) are middle-income, and 4 (19.1 percent) are upper-income. The assessment area contains no low-income CTs; however, 17.4 percent of the families in the assessment area are low-income.

DESCRIPTION OF FIRST GULF BANK'S ASSESSMENT AREA (CONTINUED)

The following table shows family income levels in the bank's assessment area according to the 1990 Census:

FAMILY INCOME	NUMBER OF FAMILIES	PERCENTAGE IN ASSESSMENT AREA
Low-income	4,918	17.4%
Moderate-income	4,954	17.5%
Middle-income	5,980	21.2%
Upper-income	12,408	43.9%
Total	28,260	100.0%
Below Poverty	2,950	10.4%

According to the 1990 Census, the assessment area's population was 98,280 and represented 20.6 percent of the MSA population of 476,923. The number of families in the assessment area was 21.7 percent of the MSA's total families.

As of the 1990 Census, the assessment area contained 50,933 housing units, of which 57.0 percent were owner-occupied, 15.7 percent were rental units, and 27.3 percent were vacant. 89.2 percent of the housing units in the county had been built since 1950. The median housing value in the assessment area was \$64,297, which was 17 percent higher than the MSA median housing value. The median family income for the assessment area was \$30,199, or 7 percent above the median family income of the MSA. Given the family income levels and average cost of housing, the assessment area is a reasonably affordable place to live. Additionally, the bank's assessment area does not arbitrarily exclude any low- or moderate-income census tracts.

According to information reported by the U.S. Bureau of Labor Statistics (BLS), the unemployment rate in Baldwin County as of September 1997 was 3.6 percent. The unemployment rate in the assessment area compares favorably to the 5.3 percent unemployment rate for the nation and the 4.7 percent unemployment

DESCRIPTION OF FIRST GULF BANK'S ASSESSMENT AREA (CONTINUED)

rate for the Mobile MSA as of September 1997. According to information obtained from the Regional Economic Information System, from 1990 through 1994, the retail trade, service, and manufacturing industries employed nearly 80 percent of the assessment area's working population and accounted for almost 70 percent of the total number of establishments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

Gulf Bank's loan-to-deposit ratio since the previous examination shows not distinct trend varying between 90.7 percent as of June 30, 1996, and 76.9 percent as of June 30, 1997. The average loan-to-deposit ratio for the five quarters ended June 30, 1997, was 85.9 percent. Of the eight competing financial institutions in Baldwin County, two were considered comparable in asset size and branch networks. The average loan-to-deposit ratios for these two banks during the same time period were 58.9 percent and 72.0 percent. First Gulf Bank's loan-to-deposit ratio on September 30, 1997, following the bank's acquisition of First Bank of Baldwin County, was 73.1 percent. Compared with peer banks, the bank's performance exceeds satisfactory performance standards. The decline in the ratio following the acquisition was considered less relevant to the analysis because the decline was brought about by recently acquired deposits not previously available for lending.

Lending in Assessment Area

The bank has been most active in the origination of small business and home equity loans. During the examination, 70 home equity loans and 53 small business loans were analyzed to determine the percentage of loans originated in the assessment area. 100 percent of both the home equity and small business loans sampled were extended inside the assessment area. The bank exceeds satisfactory performance standards based on the concentration of loans inside the designated assessment area. The distribution of the bank's loan originations indicates no arbitrary exclusion of any particular geography in its assessment area.

Lending to Borrowers of Different Incomes

The bank's lending to borrowers of various income levels and businesses of different sizes, based on consumer home equity and small business loans originated in the assessment area, is detailed below.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes (Continued)

BORROWER/FAMILY INCOME LEVEL	PERCENTAGE OF FAMILIES	HOME EQUITY LOANS	
		Number	% of Total
Low-income	17.4%	4	6%
Moderate-income	17.5%	2	3%
Middle-income	21.2%	12	19%
Upper-income	43.9%	46	72%
Total	100.0%	64	100%

As shown in the table above, the percentages of home equity loans to low-income and moderate-income borrowers do not reflect the percentages of low-income and moderate-income families in the assessment area. Note that 10.4 percent of the families in the assessment area are below the poverty level and unlikely to own a home. The lending levels observed are expected because low- and moderate-income families, who own homes, generally have less discretionary income and lower levels of equity in their homes. Higher qualifying criteria for this loan product, which generally coincide with industry standards, also had an impact on loan originations.

BUSINESS REVENUES	CUMULATIVE LOANS
< \$250,000	66%
< \$500,000	83%
\$1 million	100%

Five of the 53 small business loans sampled did not have all the data necessary for this analysis. Only one of the loans analyzed was to a business with revenues in excess of \$1 million. A substantial majority of the business loans were in amounts less than or equal to \$100,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Lending to Borrowers of Different Incomes (Continued)

Loans to businesses with revenues of \$250,000 or less account for 66 percent of the loans sampled, and loans to businesses with \$500,000 or less in revenues account for 83 percent of the loans reviewed. Lending at these levels shows a commitment to the growth and development of small businesses in the assessment area and demonstrates more than adequate lending to businesses of different sizes.

Considering the demographics of the assessment area and the loan products sampled, the bank's lending to borrowers of different incomes and businesses of different sizes meets standards for satisfactory performance.

Geographic Distribution of Loans

The table below shows the distribution of the home equity loans by the income levels of the CTs in which the loans were made.

As noted in the description of the assessment area, there are no low-income CTs in the assessment area. The distribution of families in the assessment area's moderate-, middle-, and upper-income CTs is included as a point of reference.

CENSUS TRACT TYPE	NUMBER OF FAMILIES	PERCENTAGE OF TOTAL FAMILIES	HOME EQUITY LOANS	
			Number	% of Total
Moderate-income	1,467	5.2%	2	3%
Middle-income	20,869	73.8%	58	83%
Upper-income	5,924	21.0%	10	14%
Total	28,260	100.0%	70	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Geographic Distribution of Loans (Continued)

The following table shows the geographic distribution of the small business loans.

CENSUS TRACT TYPE	SMALL BUSINESS LOANS	
	Number	% of Total
Moderate-income	0	0%
Middle-income	42	79%
Upper-income	11	21%
Total	53	100%

Pricing competition and diversity in product offerings from super-regional branch banks in the assessment area are the primary causes of low loan levels in the two moderate-income census tracts. Under these conditions, the performance noted is not considered to be substantially out of line with local demographics to warrant concern.

Overall, the bank's lending activity reflects a generally proportionate penetration among geographies of different income levels and meets the standards for satisfactory performance.

Complaints

No complaints relating to CRA have been filed since the previous examination.

Compliance with Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices reviewed have the intent or the effect of discouraging applicants.